Capacity Building Tools for Small Systems Web Cast
January 10, 2006

Questions and Answers

Q: Please highlight the various vendor programs (such as ETV, etc.) and the significance of this information to the water systems. Why is it that they would want to know this information?

A: Vendor programs are a useful tool for systems to rely on. Under the EPA Demonstration Program, 40 sites across the country are testing arsenic treatment techniques, some of which were not listed as best available technologies (BATs) in the Rule. Most significantly, adsorptive media is being tested widely under the vendor program, which may be of interest to water systems.

Q: Are all the products available at no charge to water systems?

A: Yes, all products are completely free.

Q: Will all National Rural Water Association (NRWA) affiliates receive these tools?

A: Yes the tools are available to all NRWA affiliates.

Q: Is there a percentage that you recommend that systems dedicate for reserves and capital improvements?

A: There is no set percentage; the amount needed must be factored into the system's rate. To establish a reserve account the water system should rely on a capital improvement plan (CIP) to establish asset rehabilitation and investment priorities.

Q: What are the pros and cons of using a particular rate setting structure, such as a block structure?

A: There are pros and cons with all structures. The STEP guide addresses these issues in detail.

Q: Can we link to the documents listed on the CD for operators to use?

A: The CD only includes information on how to order the documents; it does not contain an active index of those documents. All of these documents are currently available on EPA's Small System Web site.

Q: Can you suggest any specific websites or software for setting drinking water rates?

A: The Environnmental Finance Center at Boise State University (http://sspa.boisestate.edu/efc/services.htm) has **Rate Checkup**, a powerful, easy-to-use rate-setting and financial planning software for water utilities; **CAPFinance**, an integrated capital asset inventory and reinvestment analysis software program for drinking water systems; and **Ratio8**, a guidebook and spreadsheet program to help local decision-makers evaluate their water utility's financial condition.

Q: Is there a DVD that will show operators sampling techniques, particularly for bacterial sampling?

A: The sampling CD, due out in March 2006, includes videos of sampling techniques.

Q: What are the criteria for meeting the financial exemptions referred to in Boise State Environmental Finance Center's (EFC's) exemption calculator?

A: Exemption Qualifications:
First and foremost, the state (in which the drinking water system is located) must have adopted the Federal variances and exemptions rule before that system can consider applying for an exemption. Other eligibility requirements include: (1) the system is unable to comply with the regulation due to compelling factors (e.g. economic factors) or implement measures to develop an alternative water source; (2) the state must determine that the exemption will not pose an unreasonable risk to health; and/or (3) the system cannot reasonably make management or restructuring changes that will result in compliance or improved drinking water quality.

Financial Calculator for Exemptions:
To be clear, the Boise State's EFC 'Financial Calculator for Exemptions' does not tell you whether or not you are eligible for an exemption, in fact, it only gives you one facet of the exemption process. It is designed to assist in the process of reviewing a Public Water System's application for an exemption to a drinking water standard, by organizing and presenting data that is relevant to analysis of a system's financial and economic condition. The calculator includes a checklist with the data and documents that are needed to complete a review and a number of data input screens where the user enters the data that will be used to create reports. The reports generated by the program relate to the current financial condition of the system, trends in the system's financial condition over time, the relative economic condition of the community served by the water system, the affordability of current water rates, and the financial and affordability impacts of financing capital improvements to meet the water quality standard.

This 'Financial Calculator for Exemptions' can be downloaded from the following website- http://sspa.boisestate.edu/efc/services.htm, under "Tools". In addition to downloading the calculator, you will also have the option of downloading the user manual. The user manual will walk you through each step of the calculator and show all assumptions used in putting this tool together. Should you have questions or would like to receive a free copy by mail, please contact Gary Carroll at gcarroll@boisestate.edu or (202) 426-2460.

Q: Are there any tools that summarize compliance sampling for each contaminant?

A: Compliance sampling requirements are found in the STEP Guides and Quick Reference Guides, which are available on EPA's website. The sampling CD also

contains rule specific compliance sampling information and can help you set up a sampling schedule for multiple contaminants.

Q: Are there other tools that can help systems access financial assistance, such as rural community assistance grant requirements, Drinking Water State Revolving Fund (DWSRF) requirements, etc?

A: Yes there are financially focused resources available to systems. There are fact sheets explaining how systems can use the DWSRF, Community Block Grants, and Rural Utility Service (RUS) loans and grants for arsenic compliance. These tools are available on the arsenic in drinking water site, http://www.epa.gov/safewater/arsenic. States may have specific grant and loan requirements, so systems should be encouraged to check with the states as well.

Q: Several years ago U.S. EPA developed a software program for surface water systems that allowed users to plug in different treatment processes to get an idea of the water quality after each process. Will anything like that be developed that will include treatment options for arsenic?

A: I do not believe that U.S. EPA is planning on a similar product for arsenic.

Comments

Two additional arsenic tools are needed: 1) A fact sheet aimed at the consumer on the health effects of arsenic for those that receive public notice that their water exceeds the MCL; and, 2) Perhaps explain URTH calculations used for variances and exemptions.

The Web cast is a great format but would suggest presenters linger on slides with web addresses, product catalog, etc. a bit longer

The Web cast format is good; however, audio is not so good at times.

Capacity Building Tools for Small Systems Web Cast
January 11, 2006

Questions and Answers

Q: How do you address "prioritization" as in a low priority project that is due in a near time frame? Should you just ignore it?

A: Systems should not ignore any capital projects. Priorities will depend on the system's needs and resources. Low priority projects may need to be pushed back and addressed at a later time. Systems should work with technical assistance (TA) providers and state drinking water agencies to develop a prioritized list of projects.

Q: Are these tools for use by a community or does a professional have to provide assistance?

A: The *Setting Small System Drinking Water Rates for a Sustainable Future STEP Guide* and the arsenic tools have been specifically designed for systems. Of course, in some cases collaboration with TA providers may be useful.

Q: Are there any electronic billing tools?

A: Not that EPA has produced, however, larger water systems may have electronic billing tools that they could share with smaller systems.

Q: Are there any published national rate standards?

A: There are many recommendations but there are no national rate standards.

Q: Should you promote a fixed and variable rate structure to cover fixed operating costs separate from variable costs?

A: Just as a water system has fixed and variable costs, the water system can set fixed and variable rates. A fixed rate is an amount that your system charges each customer every month, regardless of how much water the customer uses. Fixed rates guarantee stable, predictable revenue, regardless of how much water your customers use; they also can be used to cover your system's fixed costs. A variable rate can be based on customer usage, which is determined by routine meter readings. The more water a customer uses, the more the customer has to pay (in addition to the fixed rate). Variable rates are a good way to encourage water conservation. If your revenue becomes too unpredictable because of aggressive conservation programs, one could place somewhat more reliance on fixed rates. You would still be sending a price signal to customers through variable rates, but fixed rates could help preserve some predictability in revenue from year to year.

Q: Do you really expect systems to look out and save for 50 years?

A: We recommend that systems look at least 5-20 years ahead, more if possible.

Q: USDA recommends not exceeding 2.0% of median household income when considering rate standards. Does EPA agree?

A: EPA does not have a recommendation for rate-setting based on 2.0% of median household income. EPA believes that rate-setting is case-specific to each water systems, and some systems in high income areas may have rates that exceed 2.0% of median household income. Developing rates to support sustainability involves taking a detailed look at current and future costs and expenses, rate structure options, the classes of customers, and the amount of water that each customer class uses.

Q: Is there a CD that can help a system schedule, plan, and budget for their sampling requirements?

A: EPA's CD can help systems to plan for sampling requirements, but scheduling and budgeting is dependent on individual systems. Many states have developed software that helps with that process; systems should contact their state for more information.

Q: Is the 2005 Web cast still available? Have you done a similar type presentation regarding nitrates?

A: Yes, we conducted a similar Web cast for the Phase II/V Rules which included nitrates. This and other Web casts may still be available online at the Drinking Water Academy site on www.epa.gov/safewater.

Q: How do we continue to find out about these Web casts? This has been a great way to communicate information.

A: The Drinking Water Academy Web site is your source for information on upcoming Web casts: http://www.epa.gov/safewater/dwa/calendar.htm

Q: If the median household income (MHI) is low, and 2% x MHI x number of customers will not cover operations, what are the alternatives?

A: Some options are:

- Reducing operating costs.
- Finding additional sources of revenue.
- Restructuring, which includes such options as purchasing water from another system rather than pumping and treating from your own source, consolidating your operations with a nearby water system, or contracting the operation and maintenance of your water system to another party in order to obtain increased operational efficiency and possibly reduce costs.

Comments

The National Environmental Training Center did a good job putting together videos and CDs about operations. What would be useful is an actual video about budgeting and rate setting. These videos would be useful to water systems, regulators, and especially when

convincing elected officials that rate setting efforts are useful. Case studies are also often helpful in convincing governments.

One useful new product would be a video for the general public so they can understand how full cost pricing is important. Lots of times boards of directors do not understand all the relationships and can't get the public on board effectively.

Good idea and format. It would be good to have the slides earlier.

Is it possible for the audio to be on the Web cast and not the phone?

I like this communication; this is very helpful.